



United States General Accounting Office

Report to the Chairman, Committee on
the Budget, U.S. Senate

September 1988

ADP BUDGET ANALYSIS

SSA's Information Systems Funding for Fiscal Years 1988 and 1989





United States
General Accounting Office
Washington, D.C. 20548

Information Management and
Technology Division

B-226427

September 14, 1988

The Honorable Lawton Chiles
Chairman, Committee on the Budget
United States Senate

Dear Mr. Chairman:

This report responds to your March 2, 1988, request for an analysis of the Social Security Administration's (SSA) Information Technology Systems (information systems) budget. You asked that we provide an analysis of the major elements of the information systems account. Our April 1988 fact sheet¹ addressed this portion of the request. In addition, you asked us to (1) assess the changes SSA made in its information systems plans and budgets for fiscal years 1988 and 1989, (2) review the agency's funding requirements for fiscal year 1989, and (3) estimate the carryover² of unobligated funds at the end of fiscal year 1988.

We found that SSA significantly revised its fiscal year 1988 information systems budget. These revisions were due to the agency refocusing its systems modernization effort and Congress reducing the original President's Budget³ request. As a result of these actions, SSA's fiscal year 1988 budget for information systems was decreased from \$282 million to \$221 million. In addition, these actions by SSA and the Congress have resulted in SSA's current efforts to revise its fiscal year 1989 information systems President's Budget request of \$221 million. Although complete details on the fiscal year 1989 revisions are not available at this time, our analysis of SSA's original \$221 million request identified supporting plans and associated requirements for \$204 million. We discussed our analysis of the fiscal year 1989 information systems budget with senior SSA officials, and they believe our analysis understates the agency's needs. According to the Chief Financial Officer, the agency has plans and requirements for other information systems projects not included in the fiscal year 1989 President's Budget request of \$221 million. The

¹ADP Budget: Trends in SSA's Information Technology Systems Budget. (GAO/IMTEC-88-33FS, Apr. 20, 1988).

²SSA is authorized to carry over unobligated funds in its information systems account from year to year based on a no-year authorization the Congress has approved since fiscal year 1983. The purpose of the carryover is to provide funding flexibility for SSA's modernization effort.

³The President's Budget contains the agency's funding request for the next fiscal year and includes a narrative justification for the request.

agency plans to implement these other projects in fiscal year 1989 if projects from the original budget request are delayed or canceled.

As of July 15, 1988, the agency was estimating that its fiscal year 1988 carryover would be \$7 million. The agency has also identified \$23 million in funds from 6 projects that may not be awarded in fiscal year 1988, resulting in a potential carryover of \$30 million. However, the Senior Executive Officer stated that the agency has focused management attention on this issue. Specifically, the agency is making every effort to award the six projects in fiscal year 1988 to ensure they do not contribute to the carryover. In addition, the agency plans to reduce the \$7 million estimated carryover by allocating excess funds to other projects that had originally been planned for fiscal year 1989.

Background

SSA's information systems budget is comprised of funds for automated data processing (ADP) acquisitions, ongoing ADP operations, telephone purchases, and telephone lease line charges and maintenance. Since fiscal year 1983, the agency has obligated over \$800 million toward these activities, 50 percent of which has been spent on the agency's Systems Modernization Plan. SSA implemented the modernization program in 1982 to improve software, equipment, and data communications, and to implement an integrated data base to provide better service to the public. The Congress has granted the agency no-year budget authority¹ since 1983 to facilitate the implementation of the plan and to provide funding flexibility for the agency's information systems. In 1987, we reported² that the agency was encountering significant problems implementing the plan, and recommended that it scale back and redirect the modernization program. Responding to our report, in June 1987, the Commissioner directed a refocusing of the systems modernization program and instructed SSA officials to review and revise information systems budget plans for fiscal years 1988 and 1989 to reflect the refocused priorities.

¹Funds appropriated under no-year authority remain available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are attained.

²ADP Systems: SSA's Modernization Efforts Need Redirection, (GAO/IMTEC-87-16, Apr. 10, 1987).

SSA Revised Its Information Systems Budget for Fiscal Year 1988

We found that the agency significantly revised its fiscal year 1988 information systems budget because of (1) the Commissioner's announcement of a major refocusing of the systems modernization effort and (2) congressional action reducing the agency's fiscal year 1988 budget. As a result of these actions, SSA's fiscal year 1988 budget for information systems was decreased from \$282 million to \$221 million. While we did not review details of the systems plans and justifications for each of the revisions, on the basis of our review of fiscal year 1988 budget documents the revisions appear to be generally consistent with the Commissioner's refocused guidelines for systems modernization.

In April 1987,⁶ we reported that because of delays in several important modernization projects, SSA should reassess its approach to modernization. In June 1987, the SSA Commissioner announced the refocused modernization effort, which stressed four major areas: 1) better overall direction, 2) renewed emphasis on customer service, 3) increased focus on software, and 4) better management. After the refocusing was announced, SSA began to revise its fiscal year 1988 information systems budget to reflect the revised priorities.

SSA's efforts to revise its fiscal year 1988 budget continued after the Congress, in December 1987, limited the agency's new budget authority to \$53 million. The Congress took this action in response to GAO reports⁷ that revealed that SSA's carryover balance would be larger than it had estimated because of delays in its modernization program. As a result, SSA had around \$274 million (\$53 million in new authority and \$221 million in carryover)⁸ available to obligate for information systems projects in fiscal year 1988. However, in January 1988, SSA obtained approval from the Office of Management and Budget to apportion \$53 million of its fiscal year 1988 information systems budget authority to its administrative expenses account. According to the Director, Office of Budget, because of a large cut in the agency's administrative account, the \$53 million was needed to fund the fiscal year 1988 civilian pay raise and other necessary administrative expenses. As a result of the apportionment, SSA had \$221 million remaining in its information systems account, \$61 million less than the \$282 million it had originally requested.

⁶GAO/IMTEC-87-16, April 10, 1987.

⁷GAO/IMTEC-87-16, April 10, 1987; and ADP Budget: SSA's Information Technology Systems Budget Requests and Obligations, (GAO/IMTEC-87-15FS, Mar. 10, 1987).

⁸SSA carried over \$215 million into fiscal year 1988. In January 1988, the agency adjusted this total upward to \$221 million to reflect additional recoveries of no-year funds.

After the Congress approved SSA's fiscal year 1988 budget, the Commissioner requested the Systems Review Board⁹ to review information systems plans and budgets for fiscal year 1988 and reassess spending priorities. The Commissioner directed senior managers to work with the board and the Information Technology Systems Review Staff to assess and recommend proposed project revisions to the \$221 million fiscal year 1988 operating budget.¹⁰ The Commissioner approved the agency's final \$221 million fiscal year 1988 operating budget for information systems on February 26, 1988.

To determine the changes SSA made to its fiscal year 1988 budget, we compared the information systems project amounts included in the President's Budget with those included in the agency's final operating budget. We found that

- 9 projects were increased, totaling \$14 million;
- 32 projects were decreased, totaling \$71 million;
- 13 projects were canceled, totaling \$22 million; and,
- 13 projects were added, totaling \$38 million.

Together, these changes account for \$41 million of the \$61 million reduction from SSA's original plan. The budget analyst responsible for preparing the agency's information systems budget submissions told us the remaining \$20 million reduction was taken on lease line charges, ongoing maintenance projects, and other miscellaneous projects. Table 1 presents a summary of the revisions the agency made to individual components of the information systems account. See appendix III for a full chronology of events affecting SSA's fiscal year 1988 budget.

⁹SSA implemented the Systems Review Board in November 1987 to improve the planning, budgeting, and monitoring of information systems projects. The board is composed of senior agency management and is chaired by the Chief Financial Officer.

¹⁰SSA defines its operating budget as an update of its previous year's approved President's Budget. The operating budget for one year is submitted with the next year's President's Budget request.

Table 1: Budget Revisions on Major Information Systems Projects for Fiscal Year 1988

(Dollars in Thousands)

Information Technology Systems Components	President's Budget	Operating Budget	Change
Automated Data Processing Projects			
Systems Analysis/ Software Services	\$26,577	\$22,551	\$(4,026)
Hardware and Upgrades	61,951	12,504	(49,047)
Office Automation (Hardware/Software)	29,540	14,909	(14,631)
Ongoing Operations and Maintenance	71,498	76,298	4,800
Automated Data Processing Subtotal	\$189,566	\$126,662	\$(62,904)
Telephone Projects	\$93,426	\$94,551	\$1,125
Totals	\$282,992^a	\$221,213	\$(61,779)

^a This total includes \$1.15 million in partially reimbursable expenses not included in SSA's \$282 million information systems budget justification to the Congress.

SSA's Fiscal Year 1989 Information Systems Funding Requirements

SSA's fiscal year 1989 budget request for the information systems account, which was submitted to the Congress in February 1988, was also \$221 million. According to the Chief Financial Officer, the agency is currently revising this request. After the Commissioner approves the proposed changes, they will be submitted to the Office of Management and Budget as part of the fiscal year 1990 President's Budget. Since the fiscal year 1989 revisions are still under consideration, SSA did not make the complete details on the revised fiscal year 1989 budget available to us. Consequently, we based our analysis of the fiscal year 1989 budget on documentation supporting the original budget request and the status of planned projects, our understanding of the Commissioner's initiative to refocus the modernization effort, and information from interviews with project and contract officers and management officials. From our analysis, we identified plans and associated requirements for \$204 million.

The \$17 million difference between our analysis and the agency's \$221 million request occurs in three areas: ADP equipment purchases, telephone equipment purchases, and telephone line charges and maintenance costs. Table 2 provides a summary of the differences between our analysis and SSA's fiscal year 1989 request.

**Table 2: Summary of Project Differences
in SSA's Fiscal Year 1989 President's
Budget**

(Dollars in Thousands)

Project	Differences Between SSA's Budget Request and GAO's Analysis	Reason for Change
Data Exchange Equipment	\$700	Overestimated Original Estimate
Service Observation ¹	2,000	Canceled Project
Telephone Maintenance	1,200	Overestimated Original Estimate
800 Number	13,400	Overestimated Original Estimate
Total	\$17,300	

¹Service observation allows supervisors to silently monitor conversations to ensure that their staff provides adequate services to the public

We discussed our analysis of the fiscal year 1989 information systems budget with SSA's Chief Financial Officer, and the Senior Executive Officer, and they believe our analysis understates the agency's needs. According to the Chief Financial Officer, the agency has plans and requirements for other information systems projects not included in the fiscal year 1989 President's Budget request of \$221 million. In a May 18, 1988, memorandum to the Commissioner, the Systems Review Board recommended a ranked list of 91 projects totaling \$243 million for the agency's fiscal year 1989 operating budget. The first 69 projects on this list totaled \$223 million, approximating the amount requested in the agency's President's Budget. The remaining 22 projects on the board's list totaled \$20 million, and did not fall within the funding limits of the President's Budget request. According to SSA's Senior Executive Officer, although the additional 22 projects are not presently included in the fiscal year 1989 operating budget, the managers responsible for those projects will continue to prepare the projects for their possible implementation in fiscal year 1989. By developing such contingency plans the agency can readily replace projects that are canceled or delayed with projects that are not on the original recommended list. See appendix II for GAO's assessment of the agency's fiscal year 1989 information systems budget requirements and appendix III for a full chronology of events affecting SSA's fiscal year 1989 budget.

SSA's Fiscal Year 1988 Carryover Balance

In February 1988, the agency estimated that there would be no carryover of unobligated funds at the end of fiscal year 1988. We believe there is the potential for SSA to carry over as much as \$30 million at the end of fiscal year 1988.

At a June 17, 1988, meeting with us, the Chief Financial Officer reiterated the agency's objective of eliminating all carryover at the end of fiscal year 1988. In a July 15, 1988, report the Chief Financial Officer projected the fiscal year 1988 carryover will be around \$7 million. This projection results from prior year recoveries¹¹ of unexpended funds and from fiscal year 1988 contract awards that either were awarded lower than the budgeted amount, or that the Chief Financial Officer estimates will be awarded lower than the budgeted amount.

In addition to the \$7 million projected carryover, there is a potential for another \$23 million in carryover from 6 projects that, according to the Chief Financial Officer's July 1988 report on the projection of carryover, may not be awarded in fiscal year 1988. However, according to the Senior Executive Officer, SSA has focused increased management attention on these projects to ensure that they are awarded in fiscal year 1988 and do not contribute to the carryover. We reviewed the status of these projects by examining individual procurement plans and by interviewing contracting officials from the Office of Acquisitions and Grants, and agreed with the Chief Financial Officer's assessment that the projects may not be awarded in fiscal year 1988. However, contracting officials from the Office of Acquisitions and Grants, while agreeing with the Chief Financial Officer's classifications, indicated that with increased management attention all of the six projects can be awarded before the end of fiscal year 1988.

The Chief Financial Officer is considering three management actions to address all potential carryover by the end of fiscal year 1988. One action is to carry over funds for projects that are not awarded in fiscal year 1988 to fiscal year 1989. We believe this action is consistent with the flexibility provided by no-year funding authority that the Congress has granted to SSA since 1983 to allow for procurement delays without disrupting project funding. The second action is to cancel the projects that cannot be awarded in fiscal year 1988 and let them compete for funding in the fiscal year 1989 operating budget. This action is consistent with SSA's carryover policy from previous years where the agency did not identify carryover with any particular information systems project. The third action is to exchange funding between the fiscal year 1988 and fiscal year 1989 operating budgets. The Chief Financial Officer described this management action as identifying high-priority projects from the fiscal year 1989 President's Budget that could be awarded on

¹¹ Prior year recoveries consist of amounts made available in no-year accounts through adjustments for the difference between recorded prior year obligations and budget authority.

short notice in fiscal year 1988 to offset the fiscal year 1988 projects that are delayed until fiscal year 1989.

The Chief Financial Officer recommended the third management action to SSA's Senior Executive Officer in a June 17, 1988, memorandum. He told us this recommended action would best fulfill the Commissioner's objective of eliminating carryover at the end of fiscal year 1988. The Chief Financial Officer identified two options, totaling \$21 million, as meeting these objectives: (1) exercising an option on a computer terminal acquisition contract for 4500 additional terminals, and (2) considering the extent to which the agency may be able to use fiscal year 1988 funds to initiate a national 800 telephone service project, originally included in the fiscal year 1989 budget request.

Agency Comments and Our Evaluation

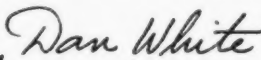
We obtained written comments on a draft of this report from SSA through the Department of Health and Human Services. SSA believes we understate the agency's information systems requirements for fiscal year 1989, stating that it has sufficient high-priority projects to justify the full President's Budget request of \$221 million. We have indicated in our report that SSA has plans and requirements for other information systems projects not included in its fiscal year 1989 President's Budget request (see p. 6). In addition, SSA stated that we should modify our report to indicate that our analysis of SSA's fiscal year 1989 requirements is preliminary, because we did not evaluate the revised fiscal year 1989 requirements. As we stated in our report, we based our analysis of the fiscal year 1989 information systems budget on documentation supporting the original request and additional information provided by the agency (see pp. 5-6). We evaluated SSA's fiscal year 1989 information systems requirements to the extent that information was available. For example, SSA provided us with a list of recommended project revisions for fiscal year 1989 (the May 18, 1988, memorandum), which we discussed in our report (see p. 6). However, the agency did not provide detailed information supporting the recommended revisions because the revisions to the fiscal year 1989 budget had not been finalized.

Concerning the fiscal year 1988 carryover, SSA stated that it is focusing high-level management attention on the fiscal year 1988 information systems budget to ensure that carryover is minimized. We have recognized SSA's efforts to reduce carryover in our report. (See pp. 7-8.) Finally, SSA provided several technical comments on noted sections of the report that we have addressed where appropriate. Appendix V contains the full text of SSA's comments.

We conducted our audit between February and July 1988, reviewing SSA's information systems budget documents, interviewing key personnel in SSA and oversight agencies regarding SSA's budget requirements, and evaluating automated data processing and telephone project status. Our review was conducted in accordance with generally accepted government auditing standards. Appendix IV contains a detailed description of the objectives, scope, and methodology of our review.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time, we will send copies to the appropriate House and Senate Committees; the Secretary of Health and Human Services; the Commissioner, Social Security Administration; the Administrator, General Services Administration; the Director, Office of Management and Budget; and other interested parties upon request.

Sincerely yours,


for Ralph V. Carlone
Director

Contents

Letter	1
Appendix I Request Letter	12
Appendix II	13
Analysis of SSA's	14
Fiscal Year 1989	15
Information	
Technology Systems	
President's Budget	
Request	
Appendix III	16
Chronology of Events	
Affecting SSA's Fiscal	
Years 1988 and 1989	
Information	
Technology Systems	
Budgets	
Appendix IV	18
Objectives, Scope, and	
Methodology	
Appendix V	20
Comments From the	
Department of Health	
and Human Services	

Tables

Table 1: Budget Revisions on Major Information Systems Projects for Fiscal Year 1988	5
Table 2: Summary of Project Differences in SSA's Fiscal Year 1989 President's Budget	6
Table II.1: SSA's Fiscal Year 1989 Information Technology Systems President's Budget Request	13

Abbreviations

ADP	automated data processing
GAO	General Accounting Office
IMTEC	Information Management and Technology Division
SSA	Social Security Administration

Request Letter

LAWTON CHILES, FLORIDA, CHAIRMAN

ERNEST F. HOLLINGS, SOUTH CAROLINA	PETE V. DOMENICI, NEW MEXICO
J. BENNETT JOHNSON, LOUISIANA	WILLIAM L. ARMSTRONG, COLORADO
JIM SASSER, TENNESSEE	NANCY LANDON KASSIBAUM, KANSAS
DONALD W. RIGLE, JR., MICHIGAN	RUDY BOSCHNITZ, MINNESOTA
J. JAMES EXON, NEBRASKA	STEVEN D. SYMMS, IDAHO
FRANK R. LAUTENBERG, NEW JERSEY	CHARLES E. GRASSLEY, IOWA
PAUL SIMON, ILLINOIS	ROBERT W. KASTEN, JR., WISCONSIN
TERRY SANFORD, NORTH CAROLINA	DAN QUAYLE, INDIANA
TIMOTHY E. WIRTH, COLORADO	JOHN C. DANFORTH, MISSOURI
WYCHE FOWLER, JR., GEORGIA	DON NICKLES, OKLAHOMA
KENT CONRAD, NORTH DAKOTA	WARREN B. RUDMAN, NEW HAMPSHIRE
CHRISTOPHER J. DODD, CONNECTICUT	

RICHARD W. BRANDON, STAFF DIRECTOR
G. WILLIAM HOAGLAND, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510-8100

March 2, 1988

Mr. Charles Bowsher
Comptroller General
General Accounting Office
Washington, D.C.

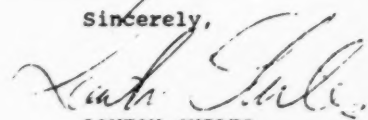
Dear Mr. Bowsher:

I would like you to update GAO's August 1987 report on the ADP Budget of the Social Security Administration in light of President Reagan's fiscal year 1989 budget request. I am submitting this request in my capacity as Chairman of the Senate Budget Committee and Chairman of the Labor, Health and Human Services, and Education subcommittee of the Appropriations Committee.

GAO's updated report should address the following issues related to SSA's Information Technology Systems: 1) the President's fiscal year 1989 budget request including any changes in computer modernization plans; 2) the amount of unobligated funds carried-over at the end of fiscal year 1987 and GAO's estimate of carry-over funds at the end of fiscal year 1988 and fiscal year 1989; 3) GAO's analysis of SSA's data processing needs in fiscal year 1989; 4) any other related issues.

Thank you for your cooperation. GAO's reports have been a valuable tool used by both the Committee and subcommittee to monitor SSA's computer needs and modernization efforts.

Sincerely,


LAWTON CHILES

Analysis of SSA's Fiscal Year 1989 Information Technology Systems President's Budget Request

This section presents our analysis of SSA's fiscal year 1989 information systems funding requirements. The agency originally requested \$221 million in the fiscal year 1989 President's Budget request, but is revising the request because of its refocused modernization effort and the Congress' reduction of its fiscal year 1988 budget. The agency, however, did not provide us with detailed information on its revised fiscal year 1989 budget at the time of our analysis because the proposed fiscal year 1989 changes had not been finalized. Consequently, we focused our analysis on the agency's original fiscal year 1989 request and considered (1) the current status of information systems projects, (2) the Commissioner's initiative to refocus the modernization effort, (3) new information SSA provided to us, (4) previous GAO reports, (5) discussions with agency officials, and (6) available supporting budget documentation. Table II.1 presents a summary of the results of our analysis.

Table II.1: SSA's Fiscal Year 1989 Information Technology Systems President's Budget Request

(Dollars in Thousands)

Information Technology Systems Components	SSA Budget Request	GAO Analysis of SSA Budget Request	GAO Variance From SSA Budget Request
Automated Data Processing Projects			
Systems Analysis/ Software Services	\$18,235	\$18,235	\$-0-
Hardware and Upgrades	14,635	13,935	(700)
Office Automation (Hardware/Software)	16,293	16,293	-0-
Ongoing Operations and Maintenance	68,212	68,212	-0-
Automated Data Processing Subtotal	\$117,375	\$116,675	\$(700)
Telephone Projects			
Equipment Purchases	\$7,912	\$5,912	\$(2,000)
Line Charges and Maintenance	95,913	81,313	(14,600)
Telephone Subtotal	\$103,825	\$87,225	\$(16,600)
Total	\$221,200	\$203,900	\$(17,300)

As the table indicates, we found budget documentation consistent with the budget request in three information system categories, but we question the request for the other three categories. The following sections explain the basis of our analysis of each of the major categories.

Automated Data Processing Projects

Systems Analysis/Software Services: for the redesign and development of major software applications.

SSA's 1989 Request: \$18,235,000 GAO's Analysis: \$18,235,000. We found budget documentation consistent with the budget request.

Hardware and Upgrades: for the purchase and installation of automated data processing equipment and peripherals.

SSA's 1989 Request: \$14,635,000 GAO's Analysis: \$13,935,000. The project officer for a data exchange equipment and software project told us that, because of revised requirements, the agency procurement request for this project will be \$700,000 less than the budget request of \$2.3 million. We reviewed supporting documents for this project and verified the project's reduced requirements.

Office Automation: for the purchase and installation of workstations and software for SSA field offices and central offices.

SSA's 1989 Request: \$16,293,000 GAO's Analysis: \$16,293,000. We found budget documentation consistent with the budget request. However, the agency currently plans to significantly increase funding in this area in its fiscal year 1989 operating budget. The Chief Financial Officer told us that the agency currently plans to spend between \$20 million and \$30 million for office automation initiatives in fiscal year 1989. However, because these proposed changes have not received final approval, the agency has not made complete details available to us.

Ongoing Operations and Maintenance: operating expenses for equipment leases, maintenance, supplies, and other services.

SSA's 1989 Request: \$68,212,000 GAO's Analysis: \$68,212,000. We found budget documentation consistent with the budget request.

Telephone Projects

Equipment Purchases: for the purchase of telephone systems and associated equipment.

SSA's 1989 Request: \$7,912,000 GAO's Analysis: \$5,912,000. SSA has canceled a project to procure equipment to provide telephone service observation. The budget request for this project was \$2 million. The program manager for the agency's telephone systems told us that the project was canceled because of budgetary limitations.

Line Charges and Maintenance: for the Federal Telecommunications System, commercial lease line charges, data transmission costs, and contractor maintenance services for SSA-owned telephone systems.

SSA's 1989 Request: \$95,913,000 GAO's Analysis: \$81,313,000. We found that SSA's budget request is overestimated by \$14.6 million. SSA awarded a contract in May 1988 to procure a national 800 telephone service for a 3-year estimated cost of \$59.8 million. We reviewed the contract and found that the estimated cost for fiscal year 1989 is \$13.4 million less than the budget request of \$28 million. In addition, we reviewed SSA's current estimate for fiscal year 1989 contractor maintenance services and found that it is \$1.2 million less than the budget request of \$5.9 million. According to the Director, Division of Communications and Records Management, the winning contractor's proposal was based on tariff charges that were about 50 percent less than SSA's original budget estimate. In addition, the difference in the amount SSA originally estimated for maintenance services and the current estimate is due to (1) a more refined calculation of maintenance costs for the headquarters telephone switch and (2) fiscal year 1988 actual costs that are coming in lower than anticipated.

¹Service observation allows supervisors to silently monitor conversations to ensure that their staff provides adequate services to the public.

Chronology of Events Affecting SSA's Fiscal Years 1988 and 1989 Information Technology Systems Budgets

February 1987	The Department of Health and Human Services submitted SSA's fiscal year 1988 President's Budget to the Congress requesting \$281.8 million for information systems—\$165.4 million in new budget authority combined with an estimated \$116.4 million in carryover from fiscal year 1987.
March 1987	GAO reported that SSA's carryover balance for information systems grew from \$11 million in fiscal year 1983 to \$214 million in fiscal year 1987. GAO also reported that better management of the agency was needed, citing the need for improvements in systems planning and controls over ADP decisionmaking and projects.
April 1987	GAO reported that SSA's systems modernization efforts are encountering significant problems. GAO recommended that SSA scale back and redirect the modernization program.
June 1987	In a letter to Senator Chiles, the SSA Commissioner acknowledged the problems in the modernization program and stated that she was directing: 1) a refocusing of the systems modernization program and 2) the establishment of a Systems Review Board operation to improve information systems management.
August 1987	GAO reported that SSA would carry over an estimated \$181 million into fiscal year 1988. GAO identified justification for \$187 million in information systems projects for fiscal year 1988. In commenting on GAO's report, SSA stated that the agency was revising its fiscal year 1988 information systems request downward in response to the Commissioner's refocusing.
December 1987	Congress approved \$53 million in new budget authority for SSA's information systems. The new authority, combined with an estimated \$215 million in carryover from fiscal year 1987, provided the agency with \$268 million in total spending authority for fiscal year 1988.
January 1988	SSA adjusted its carryover total upward to \$221 million. SSA identified the need for \$221 million for information systems activities in fiscal year 1988 and earmarked the \$53 million to fund expenses in the administrative account. The Commissioner ordered agency managers to review information systems projects and reassess spending priorities for fiscal years 1988 and 1989.
January 1988	SSA issued its Agency Strategic Plan for the year 2000, providing overall direction for attaining long-range goals and a basis for focusing the agency's modernization efforts. The plan identified 17 early projects that are to be undertaken immediately.
February 1988	The SSA Commissioner approved the revised fiscal year 1988 information systems operating budget of \$221 million. The Department of Health and Human Services submitted SSA's fiscal year 1989 budget justification to the Congress requesting \$221 million for information systems. SSA estimated there will be no carryover of funds into fiscal year 1989.
March 1988	SSA provided the House Subcommittee on Labor, Health and Human Services, and Education, Committee on Appropriations, a report on the refocusing initiative. The report identified four major categories for systems initiatives: (1) better overall direction, (2) renewed emphasis on customer service, (3) increased focus on software, and (4) better management.
April 1988	In a letter to Senator Chiles, the Commissioner provided a status report on the agency's refocusing efforts.

(continued)

Appendix III
Chronology of Events Affecting SSA's Fiscal
Years 1988 and 1989 Information Technology
Systems Budgets

April 1988	GAO reported ¹ that from fiscal year 1985 to fiscal year 1989, SSA's ADP expenditures decreased from 66 percent of the information systems account to an estimated 53 percent, while the agency's telephone system expenditures increased from 34 percent of the account to an estimated 47 percent.
May 1988	SSA's Systems Review Board submitted its recommended revisions on the agency's fiscal year 1989 information systems budget to the Commissioner for review.

¹ADP Budget: SSA's Information Technology Systems Budget Requests and Obligations (GAO/IMTEC-87-15FS, Mar. 10, 1987)

¹Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987)

ADP Systems: SSA's Modernization Efforts Need Redirection (GAO/IMTEC-87-16, Apr. 10, 1987)

¹ADP Budget: Analysis of SSA's Fiscal Year 1988 Information Technology Systems Budget (GAO/IMTEC-88-37, Aug. 6, 1987)

Objectives, Scope, and Methodology

In March 1988, the Chairman of the Senate Committee on the Budget requested us to (1) assess any changes SSA made in its information systems plans and budgets for fiscal years 1988 and 1989, (2) review the agency's funding requirements for fiscal year 1989, and (3) estimate the carryover of unobligated funds at the end of fiscal year 1988. The Chairman also asked that we provide information on various trends in the major elements of the information systems account. Our April 1988 fact sheet¹ addressed this portion of the request.

To assess the changes made by the agency to information systems budget plans we reviewed

- the agency's budget submissions for fiscal years 1988 and 1989 to determine what major information systems projects² were revised in each fiscal year,
- Information Technology Systems Review Staff reports to analyze the explanations given for the revisions, and
- Systems Review Board minutes of the discussion and approval of the revisions to information systems projects by the board.

We did not review documents related to projects not requiring Office of Management and Budget 43b exhibits.

To assess SSA's fiscal year 1989 funding requirements for automated data processing projects and telephone projects, we reviewed and analyzed

- SSA's fiscal year 1989 President's Budget submission,
- recent GAO reports on SSA that identified areas of concern with the agency's information systems activities, and
- supporting contract documentation on information systems projects.

To estimate SSA's carryover balance for fiscal year 1988, we reviewed

- Information Technology Systems reports on the status of funds to identify the agency's unobligated funds balance for fiscal year 1988,
- Information Technology Systems Review Staff reports on the monthly projection of the carryover balance to analyze the agency's estimate of the carryover balance,

¹GAO/IMTEC-88-33FS, April 20, 1988.

²Major information systems projects are disclosed in exhibit 43B in accordance with Office of Management and Budget Circular A-11.

- Systems Review Board minutes to determine all major¹ changes to information systems, and
- Individual Procurement Plan Schedules to assess the agency's ability to meet contract milestones for fiscal year 1988.

In addition, we interviewed

- SSA project officers within the Office of Systems to determine cancellations, changes in scope, and methods used in determining (1) the effect that these actions may have on the fiscal year 1988 carryover balance, and (2) project costs for fiscal year 1989;
- SSA contracting officers within SSA's Office of Acquisitions and Grants, in order to identify projected contract award dates, validate project requirements and estimates, and identify lead times for future procurements;
- General Services Administration officials to determine the status of agency procurement requests;
- the agency's Chief Financial Officer, and the Director, Information Technology Systems Review Staff, to determine (1) SSA's carryover projection, (2) the status of SSA's fiscal year 1989 President's Budget request, and (3) the impact of the Systems Review Board on SSA's information systems budgets;
- officials from the Department of Health and Human Services to determine the status of SSA's fiscal year 1989 President's Budget request; and
- the Director, Division of Communications and Records Management, Office of Material Resources, to assess SSA's telephone requirements.

We performed our review at SSA headquarters in Baltimore, Maryland, and at the Department of Health and Human Services in Washington, D.C., between February and July 1988. Our review was performed in accordance with generally accepted government auditing standards.

¹The Systems Review Board approves all changes to information technology systems projects over \$100,000.

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

AUG 17 1988

Mr. Lawrence H. Thompson
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Thompson:

Enclosed are the Department's comments on your draft report, "ADP Budget Analysis: SSA's Information Systems Funding for Fiscal Years 1988 and 1989." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Dick Kusserow".

Richard P. Kusserow
Inspector General

Enclosure

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION ON THE GENERAL
ACCOUNTING OFFICE'S DRAFT REPORT, "ADP BUDGET ANALYSIS: SSA'S
INFORMATION SYSTEMS FUNDING FOR FISCAL YEARS 1988 AND 1989"

The General Accounting Office (GAO) analysis understates the Social Security Administration's (SSA) information systems requirements for fiscal year (FY) 1989. SSA has sufficient high priority and approved projects to justify the full President's Budget request of \$221 million. Regarding the FY 1988 carryover balance, SSA is focusing high level management attention on the execution of the FY 1988 ITS budget to ensure that carryover, if any, is minimal.

We have the following additional comments on the noted sections of this report.

Now on p. 3.

Page 5

...\$221 million in carryover available to obligate for information systems projects in FY 1988.

SSA Comment

Actual carryover is \$215 million. The difference is due to SSA's estimate of recovery of prior year obligations during FY 1988.

Now on p. 5.

Page 9

From our analysis, we identified plans and associated requirements for \$204 million.

SSA Comment

This statement should be modified to state that GAO did not conduct a complete analysis of SSA's FY 1989 requirements and that its findings are preliminary. GAO did not evaluate the revised or new FY 1989 requirements specified in a project list totalling over \$240 million that was recommended to the Commissioner of SSA on May 18, 1988 and provided to GAO during the course of its review.

Now on p. 6.

Page 11

...can readily replace projects that are cancelled or delayed with projects that are not on the original recommended list.

SSA Comment

All projects that SSA is now considering funding for FY 1989 are on the recommended project list. Because of budget limitations, SSA was unable to include some of the projects in the

Appendix V
Comments From the Department of Health
and Human Services

Now on p. 7.

\$221 million planned funding level for FY 1989. If funds become available, SSA will fund these other recommended projects.

Pages 11 and 12

The \$7 million FY 1988 carryover projection results from prior year recoveries of unexpended funds and from FY 1988 contract awards that either were or will be awarded lower than the budgeted amount.

SSA Comment

In addition to the above mentioned circumstances resulting in FY 1988 carryover, some carryover amounts may result from cancelled or deferred projects. Also, the projected \$7 million in carryover may be needed to meet higher than originally estimated costs for some major projects to be awarded in FY 1988.

(510286)

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.